

MARIN ECONOMIC FORUM

EQUITY
ECONOMY
ENVIRONMENT

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ImageMovers Digital Research

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For the Marin Economic Forum

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Executive Summary

Marin County is faced with a challenge. ImageMovers Digital, the animation studio run by film director Robert Zemeckis and The Walt Disney Company has announced they will be closing their doors in Novato as of January 2011. This will leave their 120,000 square foot studio in Hamilton Field empty and approximately 450 employees out of work.

Marin County and the Marin Economic Forum have less than a year to take action to mitigate the loss of ImageMovers Digital.

Significant insights have been gained from the following research:

- First, the closure of ImageMovers Digital was largely attributed to a combination of poor movie revenues, a financial recession, and the higher price of union benefits. However, ImageMovers Digital's technology, Motion Capture animation, is still widely used, most notably in the recent blockbuster, Avatar. The laid off employees and the vacant facility will still be marketable to the digital animation industry.
- Second, ImageMovers Digital is part of *The Animation Guild Local 839 IATSE* union. This union is associated with many large animation studios and can be an ally in approaching replacement firms.
- Third, Motion capture technology and digital animation is widely used in modern video games. This is a multi-billion dollar industry that already has three studios located in Hamilton Field.
- Finally, with the passages of recent legislation, California is now a competitive tax environment to retain local projects and attract new out of state projects.

Based on these insights, the recommendations are as follows:

- Approach union affiliated animation studios to relocate. Many are large studios that may have the capacity to expand and utilize the soon to be vacant Hamilton Field property while maintaining wages and benefits for the employees.
- Approach video game studios to relocate. Game development is the largest market for motion capture technology.
- Utilize and market the existing California tax incentives and develop enticing local incentives to attract studios.

Hamilton Field is a great location and with the help of the Marin Economic Forum and Marin County it can once again attract not only digital animation studios, but also video game developers to relocate and become part of Novato, CA.

Background

ImageMovers Digital

ImageMovers Digital (IMD) is an animation studio run by film director Robert Zemeckis and The Walt Disney Company. They opened in 2007 and specialize in performance capture (motion capture) and computer-generated imagery (CGI). (ImageMovers Digital) Currently they employ around 450 studio workers in two converted aircraft hangers totaling 120,000 square feet of studio space on the former Hamilton Air Force base. (Desowitz)

IMD's movies include:

- The Polar Express
- Beowulf
- Cast Away
- What Lies Beneath
- A Christmas Carol

On March 12, 2010, ImageMovers Digital announced they would close down in January of 2011 after completing their final picture, *Mars Needs Moms*. This will leave their studio in Hamilton Field empty and their 450 employees out of work. (Smith)

In a statement, Disney Studios President Alan Bergman said, "...given today's economic realities, [Disney needs] to find alternative ways to bring creative content to audiences, and IMD no longer fits into our business model." (Desowitz) The split was likely a combination between poor movie revenues, the current financial recession, and the higher price of the union benefits paid to IMD's animators.

Research Findings

Technology

ImageMovers Digital specialized in motion capture animation, the same technology used to produce the incredibly popular movie Avatar, as well as many others.

Motion Capture or Performance Capture CGI is widely used in modern digital productions. (MetaMotion)

Including:

- Game development
- Video and TV
 - Performance Animation
 - Daily Features
 - Post-Production for Ongoing Series
- Film
- Web
- Live events
- Scientific research
- Biomechanical analysis
- Engineering
- Education
- Virtual reality

Also, the 3D format in animation, movies, and consumer electronics is rapidly becoming the new high-quality standard. Many of today's most popular films are released in 3D, 1st generation 3D flat screen TV's have hit the market, and Nintendo plans to release a 3D handheld gaming device later this year.

Moving into the future, it is likely that motion capture and digital animation will be a thriving and expanding field. Working to keep and attract related companies will provide good paying and desirable jobs for Marin County.

Cost Trends

The cost to produce and market a mainstream movie is steadily increasing. DVD sales are down and in these tough financial times producers like Disney are favoring known brands and characters for new projects. (Smith) Movie making is now brand building. In IMD's case, Disney has refocused its film productions to include brands like Marvel Comics to provide a handful of known heroes for new movies (Smith).

People

ImageMovers Digital is part of *The Animation Guild Local 839 IATSE* union that includes many other large animation studios. These companies can be approached first to absorb the IMD location as they could provide a smooth transition and integration for the employees while maintaining benefits and pay for union members.

Recommendations

ImageMovers Digital's departure was rooted in unlucky string of movie flops, but the new innovation in the animation industry suggest growth in the years to come. The Marin Economic Forum's strategy should recommend that Marin County leverage state tax incentives, as well as offer creative incentives of their own, to attract not only digital animation studios, but also video game developers to relocate to Novato, CA.

Replacement Animation Studios

There are 14 other animation studios that belong to the Animation Guild Union. Many are large studios that would have the capacity to expand and utilize the soon to be vacant Hamilton property.

Possible studios include:

- Warner Bros Animation Inc.
- Sony Pictures Animation
- Fox TV Animation
- DreamWorks Animation
- Cartoon Network Studios

Additionally, there are other non-union animation studios that could be approached to absorb the space and employees.

Possible studios include:

- Lucasfilm Animation
- Motion Analysis Studios
- House of Moves, Inc.
- Digital Domain Production

Replacement Video Game Studios

Big budget animated pictures are under intense pressure to be profitable. Millions of dollars and years of production time go into making a single movie with no guarantee it's profitable. A more sustainable alternative may be to approach video game studios to acquire the IMD space and jobs. Motion capture technology and digital animation is widely used in modern video games. (MetaMotion) More over, video games are less expensive to produce than feature animated films so multiple titles can be release each year. With a diversified stream of revenue, game studios will have a better chance of profitability and longevity in Novato, CA.

The US entertainment and games software industry includes about 220 companies with combined annual revenue of about \$28 billion. (First Research) Additionally, Game development is the largest market for motion capture [technology]. (MetaMotion)

Currently there are three video game companies already operating in Hamilton Field:

- 2K Marin
- Nihilistic
- Toys For Bob

Possible studios include:

- Electronic Arts
- Activision Blizzard (parent company of Toys for Bob)
- THQ
- Take-Two Interactive (parent company of 2K Marin)
- Bungie, LLC

Tax Incentives

Like a majority of other states, California passed a competitive tax incentive package for studios to move and keep projects within the state.

- Assembly Bill No. 15 (AB SBX3-15).

How it works:

Qualified taxpayers are allowed a credit against income and/or sales and use taxes, based on qualified expenditures, for taxable years beginning on or after January 1, 2011. (The California Film Commission)

The Program Allocates:

- \$100 million annually beginning fiscal year 2009/2010 through fiscal year 2013/2014.

- \$10 million of the annual funding will be set aside for independent films each year.

Eligible for 20% Tax Credit:

- Feature Films.
- Movies of the Week or Miniseries.
- New television series licensed for original distribution on basic cable.

Eligible for 25% Tax Credit:

- A television series, without regard to episode length, that filmed all of its prior seasons outside of California.
- An "independent film."

The bill was approved on February 20, 2009 and applies to the whole State of California.

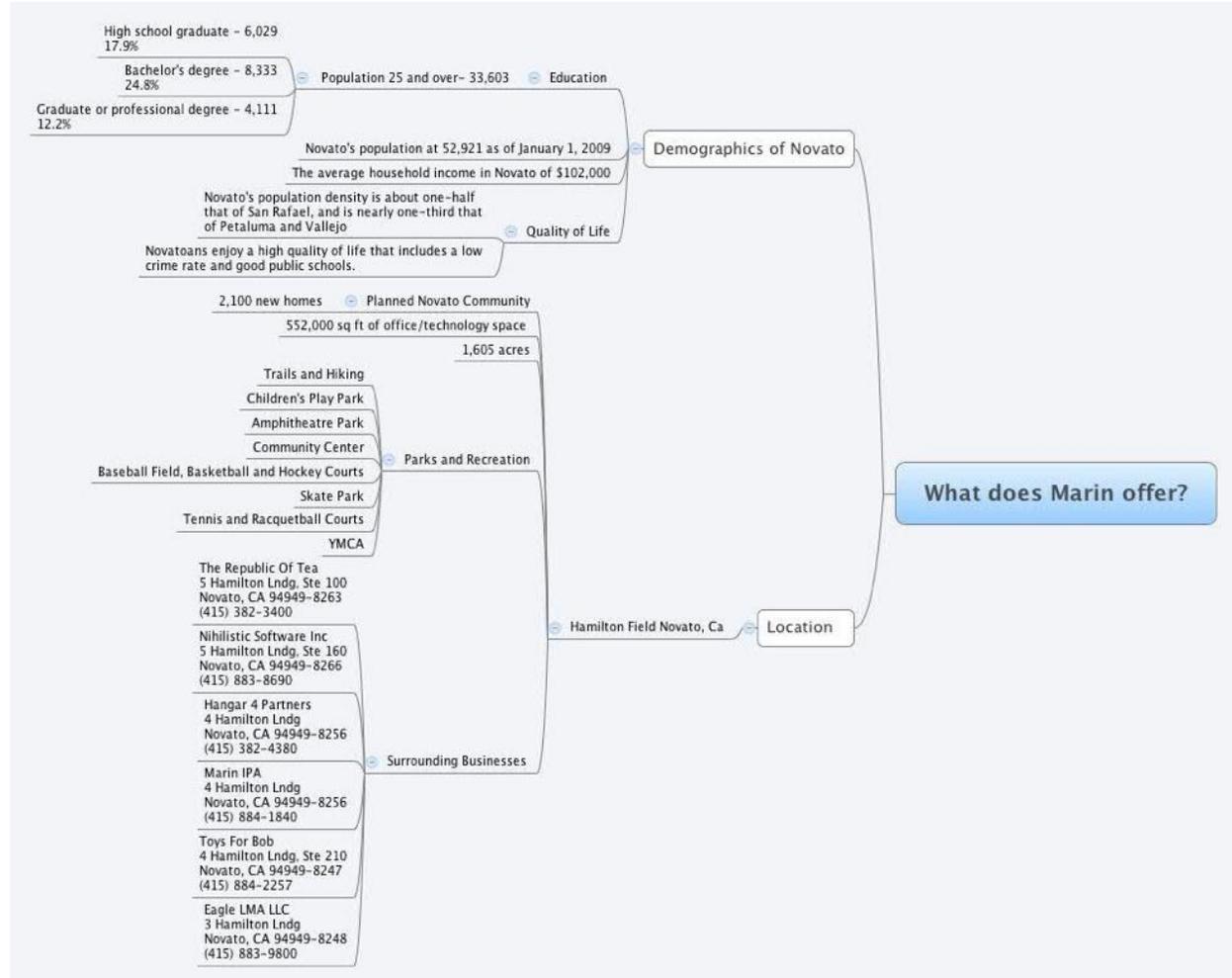
Additionally, cities and counties within California are offering their own packages to entice filmmakers and producers.

These perks give more than just tax cuts, including free permits, police and hotel discounts, as well as refunds on city property rental costs for filming.

For the county of Marin to become a desirable location to attract animators they should develop their own complimentary incentives. These can take many forms, but it may be beneficial to extend a benefit to the animators and other developer staff to ensure they can live in affordable housing near by Hamilton Field, thus helping to keep their spending dollars within the county.

Map Breakdown

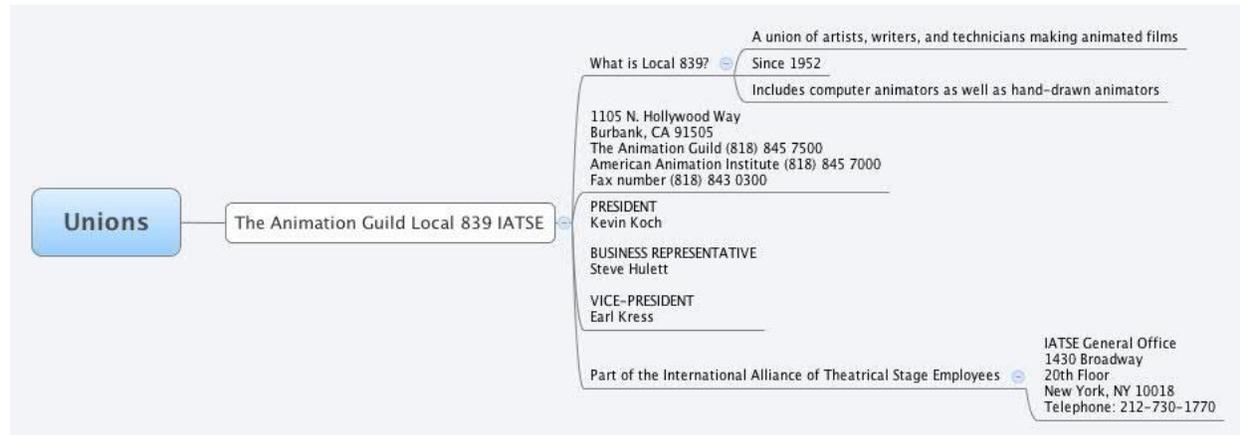
What does Marin offer?



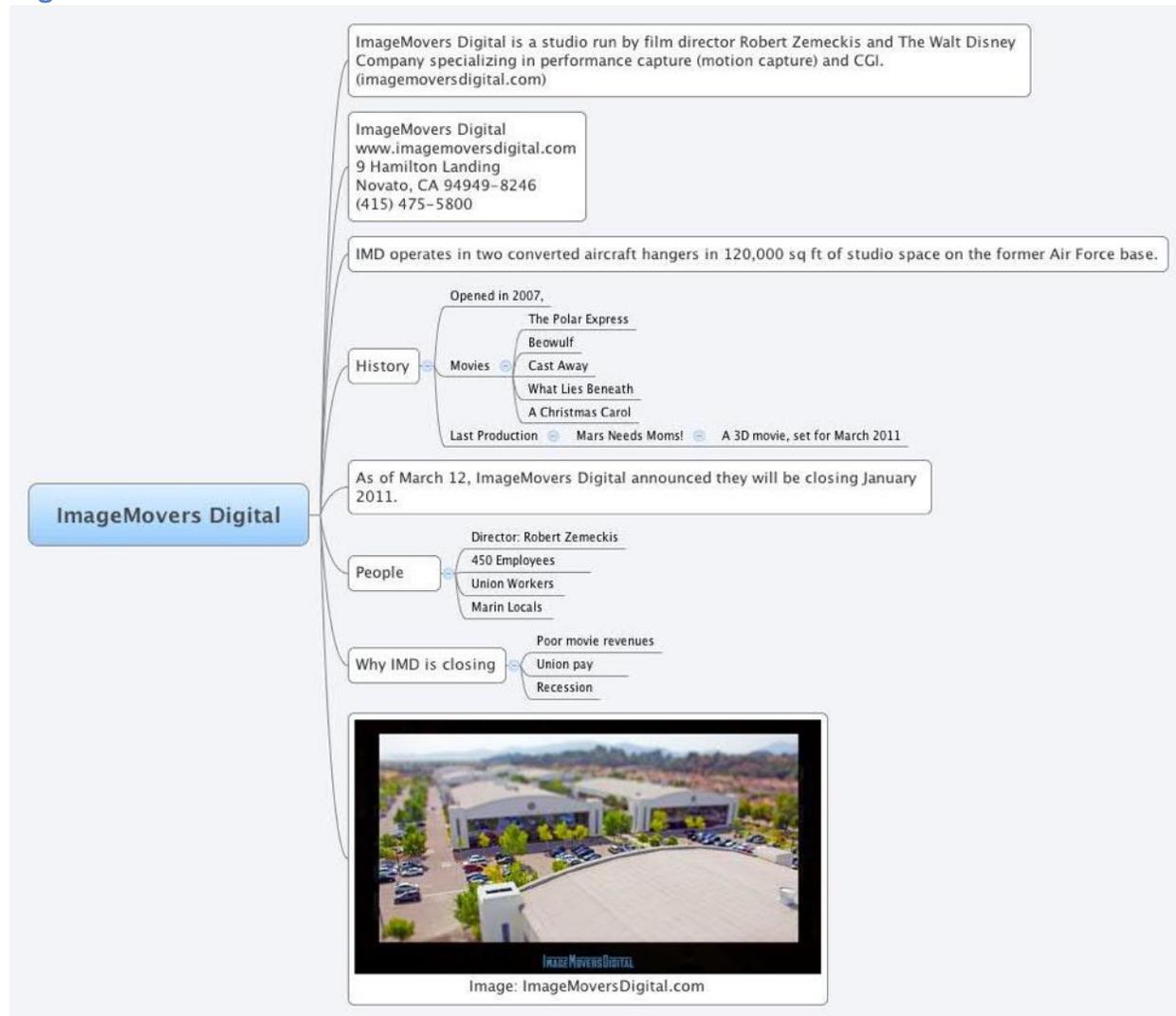
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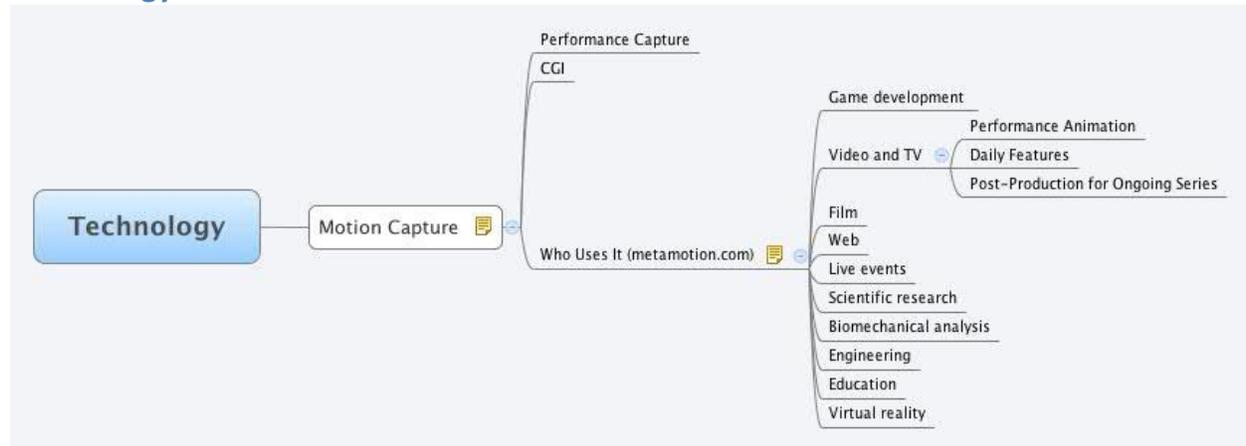
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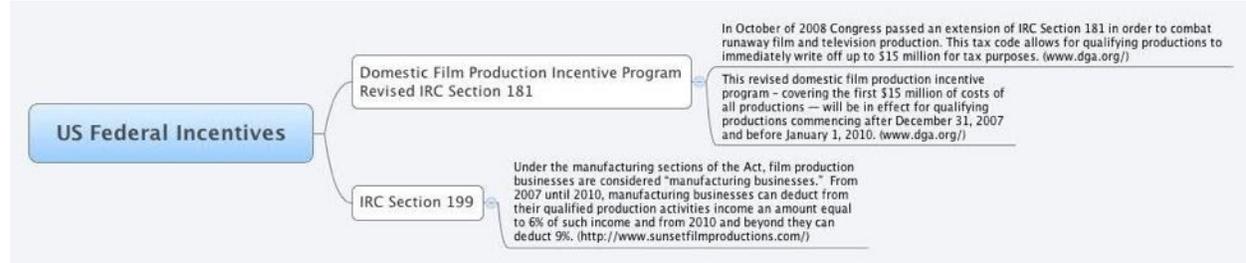
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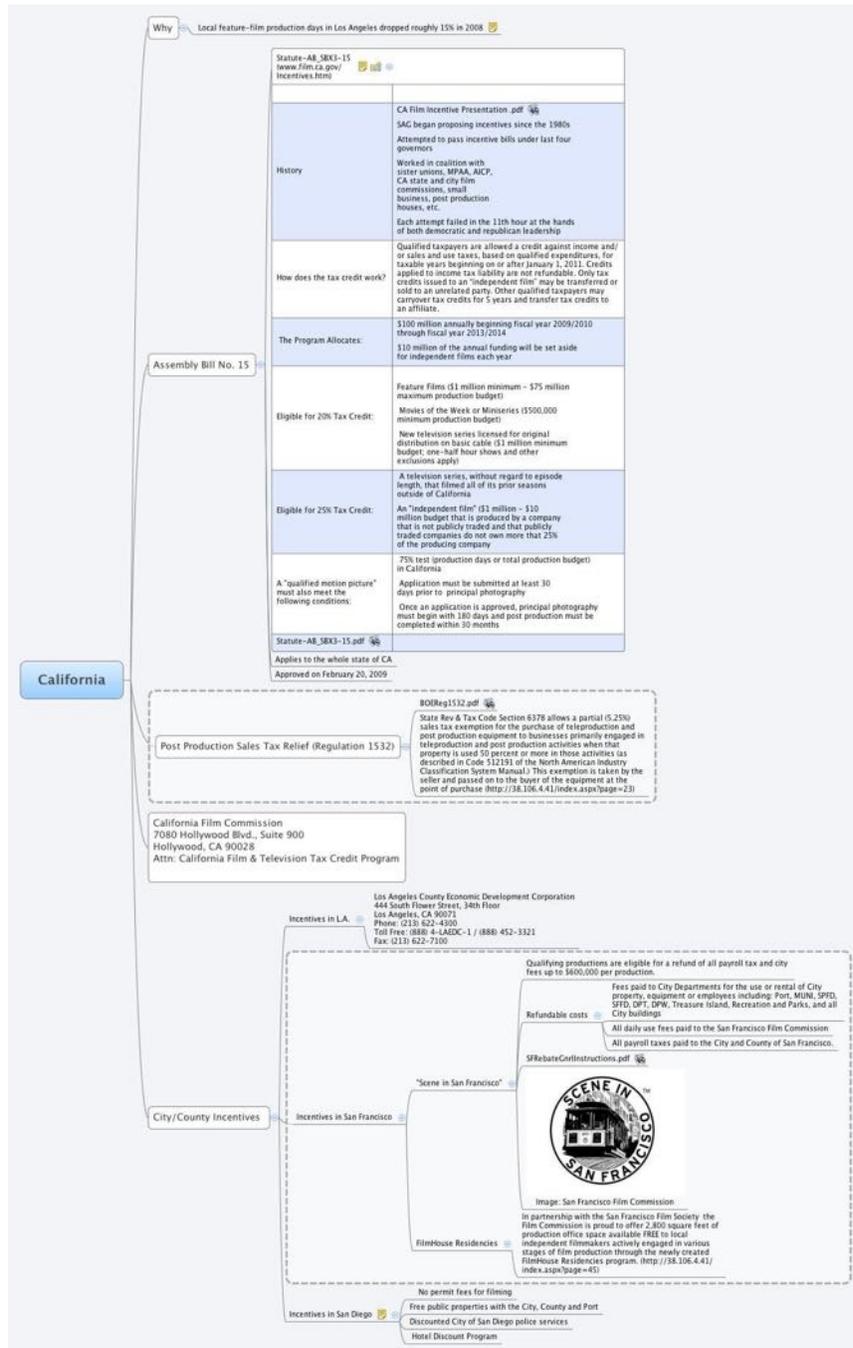
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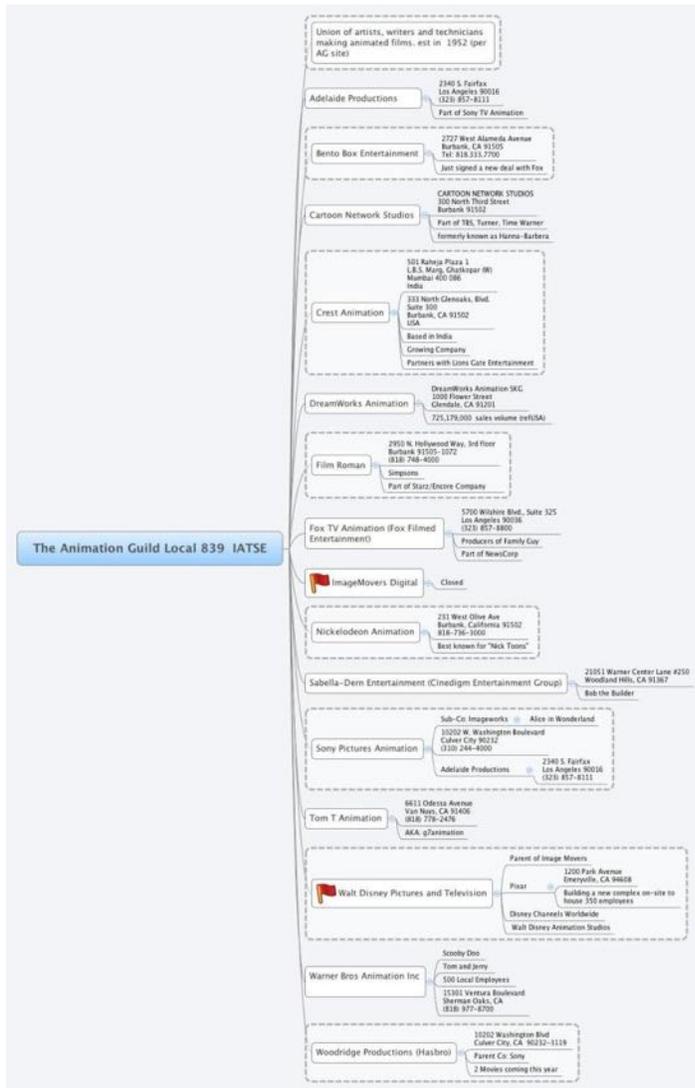
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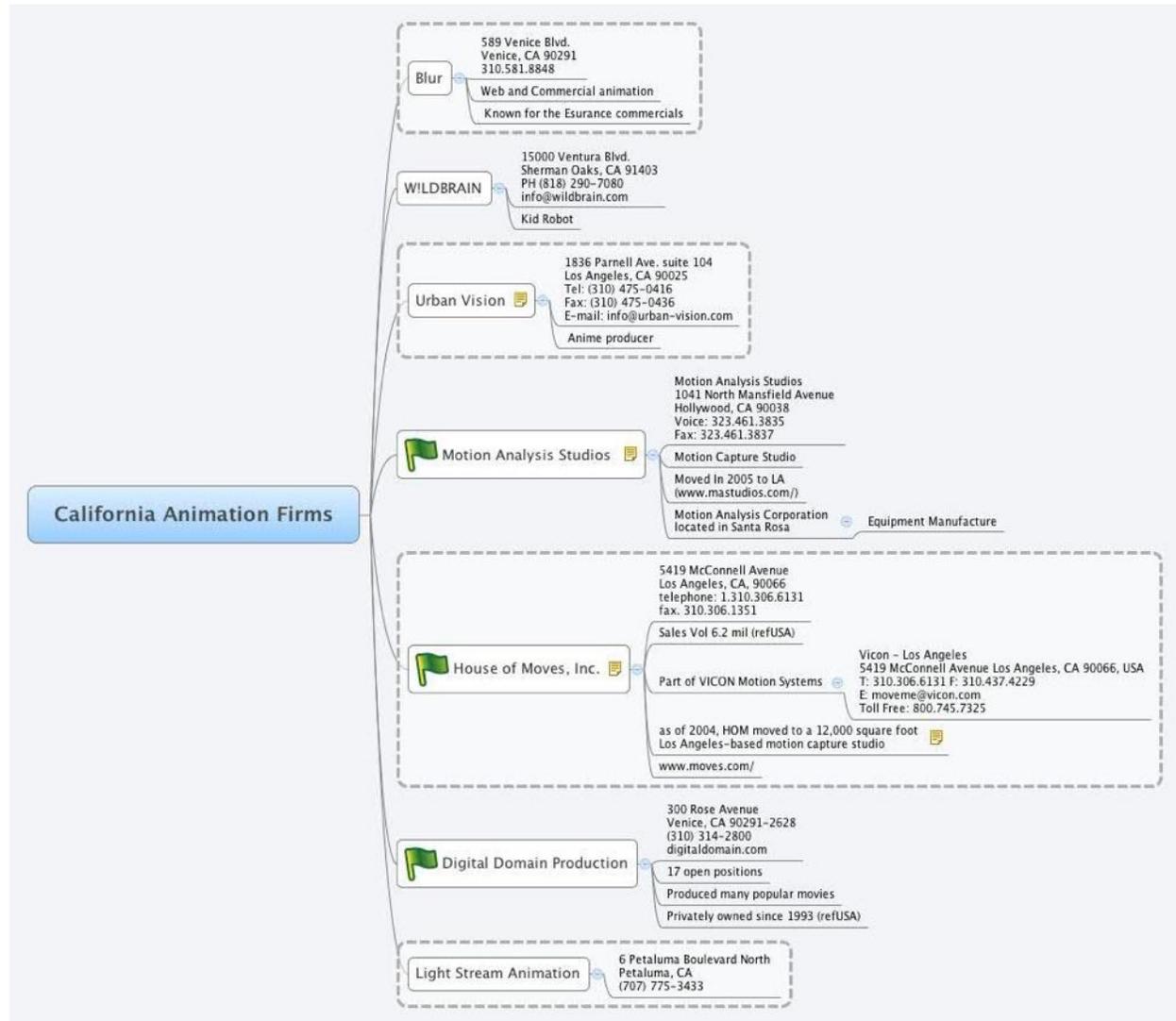
California



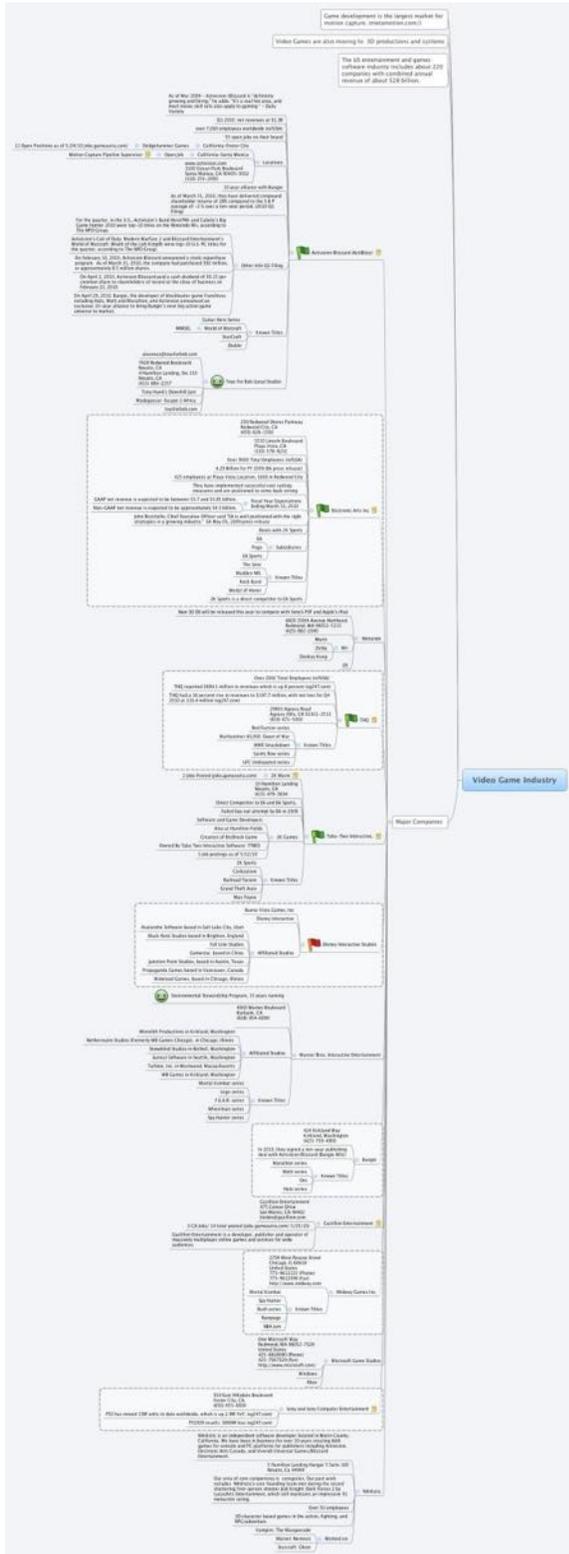
The Animation Guild Local 839 IATSE



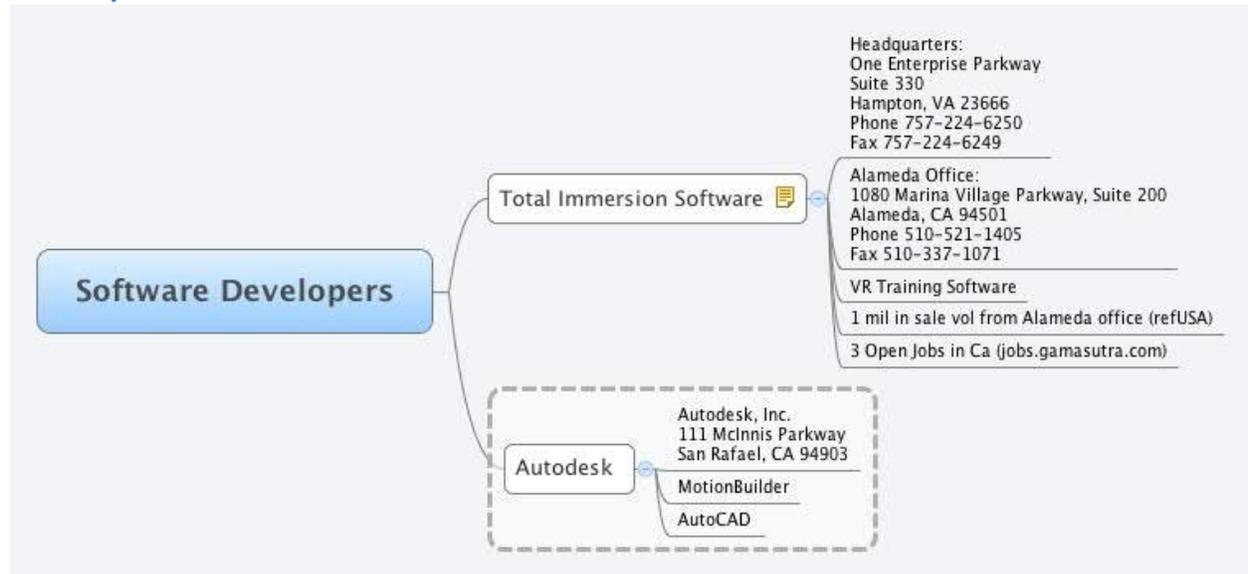
California Animation Firms



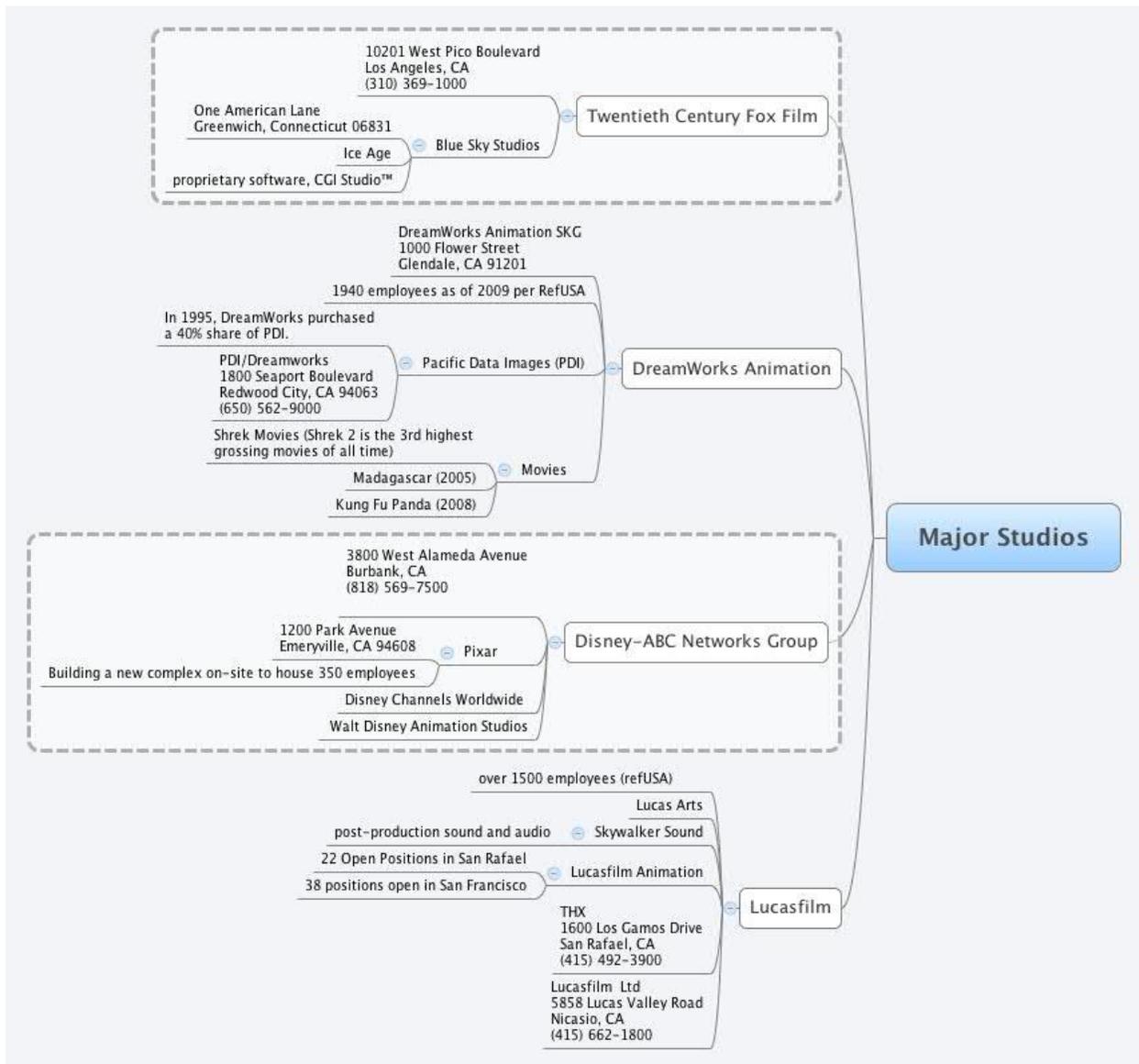
Video Game Industry



Software Developers



Major Studios



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